# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:982
ANSWERED ON:23.11.2007
INCREASE IN CASH RESERVE RATIO
Yerrannaidu Shri Kinjarapu

**Will the Minister of FINANCE be pleased to state:**

(a) whether the Reserve Bank of India (RBI) has recently hiked the Cash Reserve Ratio (CRR) by 0.5 percent or 50 basis points to 7.5 percent;

(b) if so, the details thereof; and

(c) the likely impact of increase in CRR on banking sector and general public?

## Answer

THE MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): On a review of the current liquidity situation and the prevailing macro-economic and monetary conditions, in its Mid-Term Review of Annual Policy for the year 2007-08, RBI has increased the Cash Reserve Ratio (CRR) by 50 basis points from 7.00% to 7.50% of the Net Demand and Time Liabilities (NDTL) of the banks w.e.f. the fortnight beginning 10th November, 2007.

(c) In the aforesaid Mid-Term Review, RBI has indicated to continue with its policy of active demand management of liquidity through appropriate use of the CRR stipulations and open market operations (OMO) including the Market Stablisation Scheme (MSS) and the Liquidity Adjustment Facility (LAF), using all the policy instruments at its disposal flexibly, as and when the situation warrants. The increased CRR entails higher cash reserve with RBI and relatively lower liquidity with the banking system. In nutshell, the overall stance of monetary policy, including the current CRR hike, is to reinforce the emphasis on price stability and well-anchored inflation expectations while ensuring a monetary and interest rate environment that supports export and investment demand in the economy so as to enable continuation of the growth momentum.